

Message Text

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ORIGIN ARA-10

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USIA-15 EB-07 CIAE-00 INR-07 NSAE-00 SS-15 NSC-05

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FM SECSTATE WASHDC

TO AMEMBASSY PANAMA PRIORITY

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E.O. 11652: N/A

TAGS: ETRD, PN

SUBJ: SEC INVESTIGATION OF POSSIBLE UNITED BRANDS BRIBERY
OF PANAMANIAN OFFICIALS

REFERENCE: STEIN-GONZALEZ TELECON OF MAY 16, 1975

1. FOLLOWING IS TEXT OF MAY 15 WALL STREET JOURNAL ARTICLE
CONCERNING SEC INVESTIGATION OF UNITED BRANDS FOREIGN OPER-
ATIONS.

2. BEGIN QUOTE UNITED BRANDS COMPANY HAS REJECTED AS TOO
SEVERE THE SECURITIES AND EXCHANGE COMMISSION'S PROPOSED
TERMS FOR SETTling THE AGENCY'S SUIT CHARGING THE COMPANY
WITH FAILING TO DISCLOSE A BRIBE.

3. LAST MONTH, THE SEC CHARGED THAT UNITED BRANDS VIOLATED
THE AGENCY'S ANTIFRAUD AND REPORTING RULES BY FAILING TO
DISCLOSE A \$1,250,000 PAYMENT MADE LAST YEAR TO AN OFFICIAL
OF THE HONDURAN GOVERNMENT. THE PAYMENT WAS MADE TO WIN A
REDUCTION IN THAT COUNTRY'S EXPORT TAX ON BANANAS. IT ALSO
FAILED TO REPORT CASH PAYMENTS OF ABOUT \$750,000 TO OF-
FICIALS OF A EUROPEAN GOVERNMENT, BELIEVED TO BE ITALY,
"IN CONNECTION WITH THE SECURING OF FAVORABLE BUSINESS OP-
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PORTUNITIES."

4. THE SETTLEMENT TALKS, AND THE FACT THAT THEY'RE TEMPORARILY STALLED, CAME TO LIGHT IN A RECENT COURT FILING BY UNITED BRANDS. THE COMPANY ASKED A FEDERAL DISTRICT COURT HERE TO STAY THE SEC'S PROCEEDING AGAINST IT UNTIL THE COMPLETION OF A CRIMINAL INVESTIGATION BEGUN BY THE U.S. ATTORNEY IN NEW YORK ON APRIL 10, THE DAY AFTER THE SEC FILED ITS SUIT. IN REQUESTING THE STAY, UNITED BRANDS SAID THE DUAL PROCEEDINGS "WOULD IMPOSE SUBSTANTIAL BURDENS ON UNITED IF THEY ARE PERMITTED TO GO FORWARD SIMULTANEOUSLY."

5. THE COURT PAPERS DISCLOSE THAT UNITED BRANDS AND THE SEC DISCUSSED A POSSIBLE SETTLEMENT ON APRIL 24, BUT THAT THE COMPANY TEMPORARILY POSTPONED CONSIDERATION ON APRIL 29. AN ATTORNEY FOR THE NEW YORK BASED FOOD COMPANY SAID UNITED BRANDS DOESN'T BELIEVE IT VIOLATED THE SECURITIES LAWS.

6. THE SEC WANTS THE COMPANY TO AGREE TO A COURT ORDER BARRING IT FROM FUTURE VIOLATIONS OF ITS ANTIFRAUD AND REPORTING PROVISIONS. MORE IMPORTANT, IT WANTS THE COMPANY TO AGREE TO APPOINTMENT OF A SPECIAL MASTER TO EXAMINE THE CONCERN'S RECORDS AND TO GIVE THE SEC AND UNITED BRANDS' SHAREHOLDERS A REPORT "DETAILING ALL CORPORATE FUNDS WHICH MAY HAVE BEEN USED FOR IMPROPER PAYMENT TO GOVERNMENT OFFICIALS, FOREIGN OR DOMESTIC, OR FOR OTHER IMPROPER PURPOSES."

7. THE UNITED BRANDS ATTORNEY SAID THE COMPANY MIGHT PROPOSE TO THE SEC A SETTLEMENT WITH Milder TERMS, BUT HE DIDN'T ELABORATE.

8. THE COMPANY'S MOTION FOR AN ORDER STAYING THE SEC COURT CASE DISCLOSED THAT THE U.S. ATTORNEY HAS SUBPOENAED DOCUMENTS RELATING TO CORPORATE PAYMENTS TO OFFICIALS OF THE GOVERNMENTS OF HONDURAS AND ITALY AS WELL AS COSTA RICA, PANAMA AND WEST GERMANY. THE INVESTIGATION CONCERNS ALLEGED CRIMINAL VIOLATIONS OF THE SEC'S REPORTING AND ANTI-FRAUD PROVISIONS. END QUOTE

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